

## Separating Restricted Programs or Activities from Unrestricted Programs or Activities in the General Fund

Restricted programs or activities within the General Fund must be identified, accounted for, and reported separately. This requirement means that General Fund activities will be divided into restricted and unrestricted segments.

Restricted programs or activities are those funded from external revenue sources legally restricted or restricted by the donor to specific purposes. Unrestricted revenues are those funds whose uses are not subject to specific constraints and may be used for any purposes not prohibited by law. Programs funded by restricted and unrestricted sources will be accounted for and reported as *restricted*.

Funds or activities which are “restricted” or “designated” by the governing board from *unrestricted* revenue sources will be accounted for and reported as *unrestricted*. See Appendix C, “List of Program Cost Accounts (PCAs),” in Part II of this manual for information on revenue restrictions. Local educational agencies (LEAs) will need to review other local revenue received from external sources to determine whether legal restrictions apply for purposes of restricted or unrestricted designations.

*Note:*

Appendix C, “List of Program Cost Accounts (PCAs),” in Part II of this manual provides the identifying numbers (PCA numbers) used by the California Department of Education to distribute funds to LEAs. The Income Account and, for LEAs using the standardized account code structure (SACS), the resource and revenue Object codes of each PCA are also included. Revenues with resource codes in the 0000–1999 series are unrestricted; revenues with resource codes in the 2000–9999 series are restricted. The list was current as of December 2001. A more current listing may be obtained through the SACS Query Page, located on the Internet:  
<http://www.cde.ca.gov/fiscal/sacs/sacshome.asp>.

For those LEAs that have not yet converted to SACS, the accounting methodology used to separate the restricted and unrestricted programs or activities is left to the LEA. Options that have been identified are as follows:

- Maintaining separate restricted and unrestricted funds, but consolidating them for financial reporting
- Maintaining subfunds and consolidating them for financial reporting
- Reporting by program or cost centers defined in such a way as to allow separation into restricted and unrestricted segments
- Reporting by any unused field in the account code structure defined in such a way as to allow separation into restricted and unrestricted segments
- Maintaining any combination of the items listed previously

In choosing the appropriate methodology, the LEA should consider the following:

- The approach that is used must allow for the identification of revenues by programs and their transfer to various programs.
- Cash management should be considered if separate restricted and unrestricted funds are used.